

§ 3.2

the general collection policy of the Department nor should it serve as grounds for any lessening of the efforts of farmers to pay their indebtedness.

§ 3.2 Definitions.

(a) *Department* means Department of Agriculture.

(b) *Indebtedness* with respect to any person, means a debt to the Government under each of the acts and programs listed in § 3.10.

(c) *Compromise* means final liquidation of the indebtedness through the immediate payment of a portion thereof, and acceptance by the United States of such payment in full satisfaction of the indebtedness.

(d) *Adjustment* means the scaling down of the amount of the indebtedness including interest, conditioned upon the payment of the adjusted amount at some specified future time or times; such adjustment is not to be considered as effective as a settlement under this act until the provisions of the adjustment arrangement have been carried out.

(e) *Cancellation* means the complete discharge, without payment, of the indebtedness and the debtor.

[10 FR 807, Jan. 23, 1945, as amended at 11 FR 11984, Oct. 15, 1946. Redesignated at 13 FR 6903, Nov. 24, 1948; 55 FR 38662, Sept. 20, 1990]

§ 3.3 Settlement of indebtedness.

(a) Indebtedness will be compromised, adjusted, or canceled, upon applicability by the debtor except in those cases where it is found that it is legally impossible for the debtor to make application, and upon the making of all the following findings:

(1) That said indebtedness has been due and payable for five years or more;

(2) That the debtor is unable to pay said indebtedness in full and has no reasonable prospect of being able to do so; officers of the Department shall not make such findings on the basis of mere unwillingness to pay on the part of the debtor, or mere financial disadvantage to him, but should find that the settlement is the most advantageous arrangement possible from the standpoint of the Government under the findings prescribed in this part. In no event shall cancellation be made unless, in addition to the foregoing re-

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quirements, there is an advantage in removing the indebtedness from the accounts.

(3) That the debtor has acted in good faith in an effort to meet his obligation; and

(4) That the principal amount of said indebtedness is not in excess of \$1,000.

(b) Indebtedness may also be canceled without application when any one of the following circumstances is found:

(1) The amount of said indebtedness, including interest, is less than \$10; such efforts of collection have been made as are warranted under the circumstances, and the cost of collection or of continued maintenance of accounts is deemed greater than the amount of the indebtedness;

(2) The debtor is deceased and there is no reasonable prospect of recovering from his estate;

(3) The debtor's whereabouts has remained unknown for two years and there is no reasonable prospect of obtaining collection; heads of agencies designated in § 3.5 will prescribe procedures which will assure that cancellations on this ground will be made only after a diligent effort has been made to locate the debtor, including such contact with other agencies of the Department or otherwise as the amount of the indebtedness and the circumstances warrant;

(4) The debtor has been discharged of the indebtedness in any proceeding under "An act to establish a uniform system of bankruptcy throughout the United States."

(5) It is impossible or impracticable for legal or other reasons to obtain the debtor's application but all of the findings required by paragraph (a) of this section are made.

[10 FR 807, Jan. 23, 1945, as amended at 12 FR 441, Jan. 22, 1947. Redesignated at 13 FR 6903, Nov. 24, 1948, and amended at 21 FR 3213, May 16, 1956]

§ 3.4 Investigations and findings.

The heads of agencies designated in § 3.5 shall prescribe procedures for the conduct of investigations to determine the facts incident to the settlement of any indebtedness. These procedures should include, among other things, provisions for consultations with local